



June 8, 2005

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer

**SUBJECT:** Review of Rancho Santa Margarita Incorporation

**Background**

Over the past few years, Orange LAFCO has approved a number of key incorporations, district reorganizations and annexations. Prior to approving these projects, the Commission evaluated the potential benefits of these changes in organization, in part, using financial projections and assumptions prepared by staff and consultants. Were these projections accurate? Have the identified benefits of reorganization been realized?

At each Commission meeting over the next few months, staff and representatives from the affected agencies will be providing a retrospective look at some of the significant projects that the Commission has approved over the last few years. Comparing a project's original goals and assumptions to its present day operations several years later can offer the Commission valuable insight and perspective into the true impact of their actions. The first project in this series will focus on the 2000 incorporation of the City of Rancho Santa Margarita. The attached report addresses the five goals, identified in the city's original incorporation application, that were expected to be achieved through formation of a new city.

**Recommendation**

1. Receive and file attached staff report.

Respectfully submitted,

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JOYCE CROSTHWAITE

Attachment: City of Rancho Santa Margarita Report

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**JOYCE CROSTHWAITE**  
Executive Officer

## CITY OF RANCHO SANTA MARGARITA

The application for incorporation of the City of Rancho Santa Margarita was submitted to LAFCO in 1997, and the city was incorporated in 2000. As part of the application to LAFCO, the proponents listed five goals that the incorporation was expected to achieve. Those goals and a brief analysis of the results of incorporation upon those goals follow.

### **GOAL 1: To build and establish a community center**

During the incorporation process, the County of Orange agreed to acquire land for a community center with community park funds. After incorporation, the city appointed an Inter-Generational Community Center Committee (IGCCC) to get input from the community on the specific needs for a facility and to make recommendations on programming.

Recommendations of the IGCCC include: (1) to form partnerships with existing Homeowner Associations and non-profit organizations to provide the space, facilities and programming required; (2) to hire a staff person for coordination; and (3) to create a non-profit foundation to raise money for the construction and operation of the community center. Because the center was planned to be regional, a service area for the new community center was also established and is shown below.

***Figure 1: Service Area for New Community Center***



The City also acted on another committee recommendation and expanded the potential of the civic plaza by purchasing the land adjacent to the original

community center site procured by the County. The expanded land ownership would allow the City to construct a larger community center and city hall that would better serve the residents.

The city raised funds for the community center/city hall through several means. The Bell Tower Foundation raised significant money in private sector funds to construct the 25,000 square foot community center portion of the \$17 million, 50,000 square foot community center/city hall facility. Additional funding sources included contributions from the community, funds from the city's Capital Improvement Program and Community Development Block Grants (CDGB), and other grants.

The city had estimated it would take approximately ten (10) years, or by 2009, to build a community center. The community center, which includes city hall, was built in late 2004 close to five (5) years after incorporation.

## **GOAL 2: To provide law enforcement at recommended levels**

The following chart compares service levels for police services prior to incorporation and currently.

**Figure 2: Comparison of the City of Rancho Santa Margarita Police Staffing Levels Before and After Incorporation**

<b>Prior to Incorporation</b>				<b>Current Levels</b>			
<b>Sworn Staff</b>		<b>Professional Staff</b>		<b>Sworn Staff</b>		<b>Professional Staff</b>	
<b>Number</b>	<b>Title</b>	<b>Number</b>	<b>Title</b>	<b>Number</b>	<b>Title</b>	<b>Number</b>	<b>Title</b>
0.5	Lieutenant	0.3	Crime Prevention Specialist	1	Lieutenant	1.3	Crime Prevention Specialist and Investigative Assistant
2	Sergeants	12	Crossing Guards	4.5	Sergeants	16	Crossing Guards
14	Deputies*			21	Deputies**	2	Community Service Officers
1.5	Investigators			2	Investigators	1	Administrative Assistant
<b>18</b>	<b>TOTAL</b>	<b>12.3</b>	<b>TOTAL</b>	<b>28.5</b>	<b>TOTAL</b>	<b>20.3</b>	<b>TOTAL</b>

\* Patrol area for deputies prior to incorporation included the boundaries of the current City of Rancho Santa Margarita and Coto de Caza, Las Flores and Wagon Wheel.

\*\*Current staffing for the City of Rancho Santa Margarita including patrol and traffic deputies is primarily for the current residents of City of Rancho Santa Margarita only.

The City of Rancho Santa Margarita's budget for police services is shown Figure 3. The 260% increase in police costs between FY 2001-02 and FY 2002-03 was determined during the incorporation process. Under State law the County and the Highway Patrol must continue providing services to a new city for the

remainder of the fiscal year during which the new city incorporates. The effective date of the incorporation for the City of Rancho Santa Margarita was January 1, 2000, which meant that the County and the Highway Patrol were responsible for providing services through June 2000. The terms of revenue neutrality negotiated by the incorporation proponents and by the County provided for an extension of the transitional period for an additional two (2) FYs, with the City Paying for additional service increases above the base line amount. However, in FY 2002-03 the City of Rancho Santa Margarita began the first full year of its own contract with the Sheriff's Department for police services and the cost was based on the services requested in the contract.

**Figure 3: Expenditure for Police Services for the City of Rancho Santa Margarita**

<b>FY 2000-01</b>	<b>FY 2001-02</b>	<b>FY2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>
\$1,198,960	\$1,309,204	\$4,714,579	\$5,284,108	\$5,926,574
	9.2%	260%	12%	12%

### **GOAL 3: To realize local control over land use decision making to support community, residential and business objectives**

On December 19, 2003, the city council adopted the City of Rancho Santa Margarita's first General Plan. The development of the General Plan took approximately a year and a half. Initiated in June 2001, the project underwent an extensive public participation and review process with community members, the Planning Commission and the city council. The city's planning department is currently developing its first zoning ordinance.

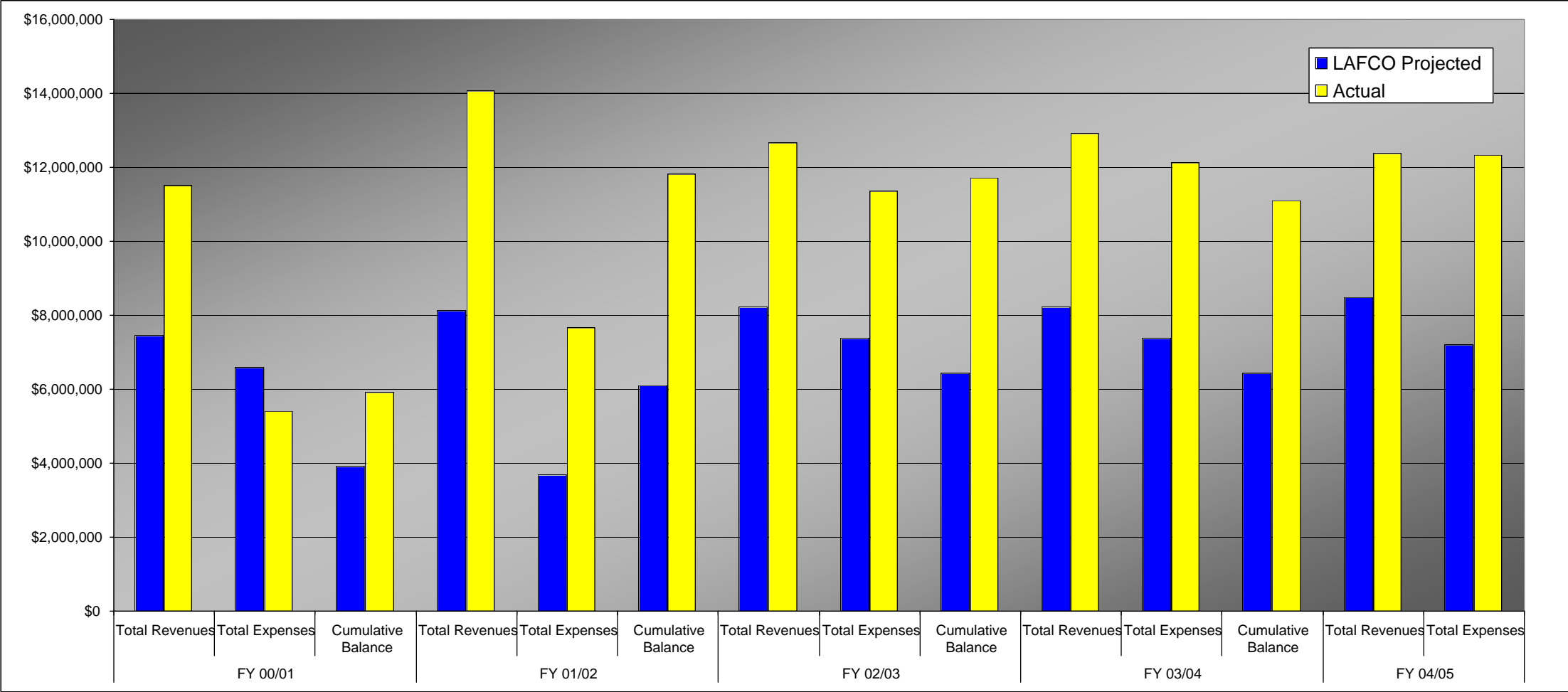
The City's local control and decision making in support of community needs is highlighted by the re-establishment of the Banderas overpass on the Master Plan of Arterial Highways. The City then worked with Caltrans and OCTA to obtain funding to build the needed interior link for the City. The Bridge was completed in 2003.

### **GOAL 4: To maintain the long term financial stability of the city and to meet future infrastructure/service needs**

The chart on the following page compares the revenues and expenses projected by LAFCO to the actual City of Rancho Santa Margarita budgets.

RANCHO SANTA MARGARITA

	FY 00/01			FY 01/02			FY 02/03			FY 03/04			FY 04/05	
	Total Revenues	Total Expenses	Cumulative Balance	Total Revenues	Total Expenses	Cumulative Balance	Total Revenues	Total Expenses	Cumulative Balance	Total Revenues	Total Expenses	Cumulative Balance	Total Revenues	Total Expenses
LAFCO Projected	\$7,469,743	\$6,579,079	\$3,930,757	\$8,119,980	\$3,685,662	\$6,103,501	\$8,218,735	\$7,385,460	\$6,437,899	\$8,218,736	\$7,385,460	\$6,437,899	\$8,496,309	\$7,192,341
Actual	\$11,519,748	\$5,409,257	\$5,918,592	\$14,085,704	\$7,665,591	\$11,828,732	\$12,677,328	\$11,353,335	\$11,722,628	\$12,934,765	\$12,138,642	\$11,106,793	\$12,376,436	\$12,343,792



LAFCO's projections are significantly lower than actual numbers. This is due to LAFCO's "worse case" analysis when reviewing incorporation proposals. Typically all LAFCOs underestimated potential revenues and overestimated potential expenditures. The City is still receiving the special DMV subvention and that this added revenue will expire in 2007.

The city council has also worked diligently to protect and enhance its commercial base. While still unincorporated the County approved one auto dealership (Ford) but the city council worked with the Honda, Nissan, and Toyota dealers who all opened dealerships. The city funded a market study and worked with developers to bring in high demand tenants to the Plaza El Paseo Center. The city also worked closely with the owner of the city's second largest business park and a local school district to ensure that it remained part of the city's employment base. The business park had been targeted under the school district's power of eminent domain to be converted into a school campus.

### **GOAL 5: To develop and provide a long-range "Regional Strategic Plan for the Saddleback Valley"**

In the staff report for the incorporation, LAFCO staff analyzed several alternative boundaries for the proposed city the most extensive of which included the developments of Rancho Santa Margarita, Robinson Ranch, Trabuco Highlands, Dove Canyon, Wagon Wheel, Las Flores, and the Upper Chiquita Canyon area.

The Commission approved a boundary for the city that included Rancho Santa Margarita, Robinson Ranch, Trabuco Highlands, and Dove Canyon. The communities of Wagon Wheel, Las Flores, Ladera, and the Upper Chiquita Canyon area were excluded primarily due to fiscal impacts to the proposed new city and at the request of residents, the incorporation proponents, and neighboring jurisdictions. A coterminous sphere was adopted for the new city with the understanding that the City of Rancho Santa Margarita would participate in developing a long-range plan for the entire area.

The City of Rancho Santa Margarita is a stakeholder in the municipal service review process (MSR) and sphere of influence update for the South Orange County area. The City also recently began negotiations with the Master Homeowner's Association for Coto de Caza for extending City traffic enforcement services into the Coto de Caza community.

### **Other Accomplishments**

- The city approved a 115-unit senior apartment development in the Town Center facility. A density bonus of over 25% was applied to the project since it provides affordable housing. The city also secured \$300,000 in set-aside monies to provide mortgage assistance for first-time homebuyers.

- The city has used Measure M funds, gas tax monies, grants, and other funds to provide city wide improvements such as traffic signal synchronization, landscaping of medians, road resurfacing/rehabilitation, entry monuments and traffic signals and construction of the Banderas overpass over the 241 toll road.
- The city is currently constructing improvements to Canada Vista Park, including construction of a skateboard park, dog park, new restrooms, and expansion of the existing parking lot.
- The City has established an Economic Development Committee bringing together City officials, large and small employer/business owners, Chamber of Commerce leaders and commercial leasing agency representatives, in a collaborative effort to develop long term business development and retention strategies.
- The City has consistently remained at or near the top of the safest city distinctions at both the county and state levels since incorporation, and in January 2004 was named by Money Magazine as the most desirable city to live in the Western United State, for cities less than 100,000 in population.
- The City and the Homeowner Associations worked closely on developing a plan and ordinance to manage the NPDES discharge requirements for the HOA maintained parks and medians.